

Cryptocurrencies

U.S. Regulators Subpoena Crypto Exchange Bitfinex, Tether

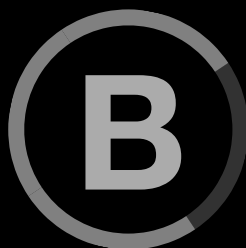
By [Matthew Leising](#)

January 30, 2018, 12:52 PM EST

Updated on January 30, 2018, 8:26 PM EST

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- ▶ Firms say they routinely get 'legal process' from regulators
 - ▶ Tether has yet to verify that it holds \$2.3 billion in reserve
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Crypto Exchange Bitfinex, Tether Are Said Subpoenaed by CFTC



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U.S. regulators are scrutinizing one of the world's largest cryptocurrency exchanges as questions mount over a digital token linked to its backers.

The U.S. Commodity Futures Trading Commission sent subpoenas on Dec. 6 to virtual-currency venue Bitfinex and Tether, a company that issues a widely traded coin and claims it's pegged to the dollar, according to a person familiar with the matter, who asked not to be identified discussing private information. The firms share the same chief executive officer.

Tether's coins have become a popular substitute for dollars on cryptocurrency exchanges worldwide, with about \$2.3 billion of the tokens outstanding as of Tuesday. While Tether has said

all of its coins are backed by U.S. dollars held in reserve, the company has yet to provide conclusive evidence of its holdings to the public or have its accounts audited. Skeptics have questioned whether the money is really there.

“We routinely receive legal process from law enforcement agents and regulators conducting investigations,” Bitfinex and Tether said Tuesday in an emailed statement. “It is our policy not to comment on any such requests.”

Erica Richardson, a CFTC spokeswoman, declined to comment.

Bitcoin, the biggest cryptocurrency by market value, tumbled 10 percent on Tuesday. It fell another 3.2 percent to \$9,766.41 as of 9:19 a.m. in Hong Kong, according to composite pricing on Bloomberg. The virtual currency hasn’t closed below \$10,000 since November.

[See also: Mystery shrouds Tether and its links to Bitcoin exchange](#)

While Tether and Bitfinex don’t disclose on their websites or in public documents where they’re located or who’s in charge, Ronn Torossian, a spokesman for the firms, said in a Dec. 3 email that Jan Ludovicus van der Velde is the CEO of both. Phil Potter is a Tether director, according to documents -- dubbed the Paradise Papers -- recently leaked by the International Consortium of Investigative Journalists. He’s also the chief strategy officer at Bitfinex.

Last year, Wells Fargo & Co. ended its role as a correspondent bank through which customers in the U.S. could send money to bank accounts held by Bitfinex and Tether in Taiwan. The firms sued the lender, but later withdrew the complaint. Torossian previously declined to identify the banks used by Bitfinex unless a non-disclosure agreement was signed, which Bloomberg News refused.

No Audit

While little public information exists about how tethers are created, market pricing suggests traders believe that each coin is worth \$1. Trading the token for Bitcoin at Bitfinex has helped drive up Bitcoin prices, Barry Leybovich, a product manager at IPC Systems Inc. who creates risk and compliance products for financial institutions interested in blockchain applications, said last month.

A document on Tether’s website, compiled by accounting firm Friedman LLP, shows it had \$443 million and 1,590 euros (\$1,970) in bank accounts as of Sept. 15. Tether tokens were valued at

\$420 million that day, according to Coinmarketcap.com. Tether hasn't identified the banks where that money was held, and their names were blacked out in the document.

Friedman said in its report that it didn't investigate the reliability of Tether's records. The accounting firm and Tether have recently cut ties, Tether said in a separate statement Monday.

"Given the excruciatingly detailed procedures Friedman was undertaking for the relatively simple balance sheet of Tether, it became clear that an audit would be unattainable in a reasonable timeframe," Tether said.

For more on cryptocurrencies, check out the *Decrypted* podcast:

Friedman didn't reply to messages seeking comment.

– *With assistance by Todd White, and Peter Eichenbaum*

(Updates Bitcoin price drop in sixth paragraph. A previous version of this story corrected the subpoena timing.)

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